

BILL # SB 1142

TITLE: public expenditure transparency database

SPONSOR: Paton

STATUS: As Introduced

PREPARED BY: Dan Hunting

FISCAL ANALYSIS

Description

The bill increases the level of detail for a free public internet database of state expenditures, as required by Laws 2008, Chapter 312, and changes the implementation date for the state database from January 1, 2011 to January 1, 2010. Additionally, the bill would require each city, town, and county in Arizona to establish and maintain a similar database of receipts and expenditures beginning January 1, 2010.

Estimated Impact

The requirements for more detail are not expected to increase costs, as these requirements are clarifications of the original bill's intent. However, the shortened timeline for implementing the state's transparency database may increase costs for the project. The Arizona Department of Administration did not have a specific estimate of this potential SB 1142 impact.

The cost to cities, town, and counties will vary according to each jurisdiction's current state of technical infrastructure. Communities with established web hosting and data warehouse capabilities will be able to create their databases with less cost, but others may incur substantial expenditures to bring their financial information online.

Analysis

A.R.S. 41-725 requires the creation of a publicly accessible expenditure database of state revenues and expenditures by January 1, 2011. SB 1142 makes 3 significant changes to the requirements of this statute. First, the bill clarifies that information in the database must be downloadable in a machine-readable format. As there was an existing requirement that the documents be searchable, this is unlikely to greatly affect the cost. Second, the bill clarifies that rather than presenting annual summary expenditures for state agencies, the database would be required to report each individual payment. Since transaction details were also already required, this is unlikely to further increase cost. Finally, the date for placing the database online would be moved up by 1 year, to January 1, 2010. This shortened timeline may increase the implementation cost.

Arizona Department of Administration (ADOA) is currently planning a database that would implement most provisions of this bill at a cost of approximately \$500,000 and is assessing funding options for the project. ADOA feels that advancing the implementation date for the database by one year will impose significant costs on the project. A database which meets all requirements of the bill may require the replacement of the state's core accounting system, at a cost of up to \$100 million.

Local Government Impact

This bill sets a deadline of January 1, 2010 for cities with population greater than 300,000, and counties with population greater than 500,000 to make a searchable database of all revenues and expenditures available to the public via the Internet, like the database required for the state. Cities, towns and counties with smaller populations would have until January 1, 2011 to implement such a database. This database would provide the manner of payment, funding source and funding amount of each transaction, in addition to the name of each budget unit served and the recipient of the payment. Information on these transactions would be presented in a form that can be searched and aggregated by budget unit and vendor, and would be downloadable in a format suitable for further analysis.

There is considerable variability in the ability of counties and municipalities to meet the requirements of this bill. A survey of Arizona municipalities and counties found no jurisdictions that currently offer an online expenditure database with all the features specified in SB 1142. Some smaller towns have not posted Web sites of any kind, so in addition to creating and maintaining the database, they will need to establish a web presence. Some larger governments, such as the City of Phoenix, already present some of the information required under the bill, but not at the level of detail required by the bill. Governments that do place expenditure information online often do so through optical scans of paper documents, which may not meet the searchability requirement of SB 1142.

Arizona cities, towns and counties would be responsible for the cost of creating and maintaining the databases required under this bill. Municipalities with good technical infrastructure, including web presence, hosting capabilities, and financial software may be able to put this information online at less cost. However, those without web capabilities or with accounting software that is not able to generate the detailed reports required by SB 1142 could incur considerable costs.

The Arizona Association of Counties anticipates greater costs to the counties as they update their financial systems to create the new database and transmit additional data to County Treasurers and is currently working on an estimate of the fiscal impact.

The League of Arizona Cities and Towns also believes that the bill will impose significant costs on their members. According to the League, the City of Glendale estimates that meeting the mandates of the bill will require an initial investment of \$150,000 and annual costs of \$35,000 for hardware and software maintenance.

2/10/09